

Message Text

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ACTION EA-10

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SUBJ: JUSTIFICATION FOR SECURITY ASSISTANCE

1. DURING VISIT TO INDONESIA JANUARY 9-12 UNDER SECRETARY
MAW REQUESTED EMBASSY PREPARE BRIEF STATEMENT JUSTIFYING
CONTINUING SECURITY ASSISTANCE TO INDONESIA FOR POSSIBLE
USE IN CONGRESSIONAL PRESENTATION

2. EMBASSY'S STATEMENT FOLLOWS:

3. QUOTE IN PRESENTING A REQUEST FOR CONTINUING GRANT
ASSISTANCE TO INDONESIA WE ARE DEALING WITH A VERY
SPECIAL CASE. INDONESIA IS THE FIFTH LARGEST COUNTRY IN
THE WORLD IN POPULATION. IT LIES FOR 3000 MILES ACROSS
SOME OF THE WORLD'S MOST IMPORTANT OCEAN PASSAGES.

4. SINCE 1966 THE UNITED STATES HAS HAD VERY CLOSE RE-
LATIONS WITH INDONESIA. WHEN THE INDONESIANS, THROUGH
THEIR OWN EFFORTS, TURNED THE COUNTRY AWAY FROM A
COMMUNIST EFFORT TO GAIN CONTROL, THE US JOINED OTHER
NATIONS IN COMING TO INDONESIA'S HELP. WE HAVE, SINCE
THAT TIME, PROVIDED APPROXIMATELY ONE FOURTH OF INDONESIA'S
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ECONOMIC HELP AND HAVE THROUGH MODEST ASSISTANCE BEEN THE

PRINCIPAL EXTERNAL SUPPORTER OF THE INDONESIAN DEFENSE FORCES.

5. INDONESIA IS POTENTIALLY RICH IN MINERALS AND AGRICULTURE. IT PRODUCES 2 PCT OF THE WORLD'S PETROLEUM. RECENT OIL PRICE RISES HAVE BENEFITTED INDONESIA, BUT, GIVEN INDONESIA'S LARGE POPULATION, WE ANTICIPATE THESE RESOURCES WILL BE GENERALLY ABSORBED BY THE RAPID DEVELOPMENT NEEDS OF THE COUNTRY. INDONESIA HAS FOLLOWED OPEC PRICE INCREASES FOR ECONOMIC REASONS, BUT HAS NOT BEEN A LEADER. INDONESIA HAS AVOIDED ALL EMBARGOES AND HAS COOPERATED FULLY IN OFFERING THE US ACCESS TO ITS ENERGY AND OTHER RESOURCES. EVEN WITH THE INCREASED REVENUE, INDONESIA'S PER CAPITA INCOME REMAINS AT LESS THAN \$200.

6. THE INDONESIAN DO NOT AGREE THAT THEIR NEED FOR OUTSIDE HELP HAS ENDED, EVEN THOUGH THEY CAN ACCEPT SUCH HELP IN REDUCED AMOUNTS AND ON HARDER TERMS. GIVEN THE CLOSENESS AND IMPORTANCE OF OUR RELATIONS AND THE POSITION OF PRESENT AND POTENTIAL SIGNIFICANT WHICH INDONESIA HAS IN SOUTHEAST ASIA, WE BELIEVE CONTINUED US HELP IS JUSTIFIED. WHILE SUCH HELP, HOPEFULLY, CAN BE AT REDUCED LEVELS AND CAN LEAD ULTIMATELY TO A PHASING OUT, WE WISH TO AVOID ABRUPT ACTIONS WHICH WOULD HAVE A DETERIMENTAL EFFECT ON OUR RELATIONS.

7. THE GOVERNMENT OF PRESIDENT SUHARTO, ALTHOUGH A GOVERNMENT IN WHICH THE MILITARY PLAY THE PRODOMINANT ROLE, HAS PLACED THE EMPHSSIS OF ITS POLICY SINCE 1967 ON ECONOMIC DEVELOPMENT. THE COUNTRY'S LEADERSHIP DELIBERATELY HELD DOWN THE PURCHASE OF NEW MILITARY EQUIPMENT DURING THE FIRST FIVE YEAR PLAN, FILLING THE GAP TO MAINTAIN A LIMITED CAPABILITY WITH MATERIAL RECEIVED FROM GRANT ASSISTANCE. THE MILITARY REQUIREMENTS HAVE BEEN MODEST AND SENSIBLE; HOWEVER, THEIR FORCES ARE IN GREAT NEED OF MODERNIZATION, PARTICULARLY IN COMMUNICATIONS AND AIR AND SEA TRANSPORT. THE MASSIVE SOVIET PROGRAM UNDER SUKARNO LEFT THEM WITH LITTLE TECHNICAL CAPACITY AND LARGE AMOUNTS OF EQUIPMENT NOW UNUSEABLE. THE INDONESIAN LEADERSHIP HAS ATTACHED LIMITED OFFICIAL USE

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GREAT IMPORTANCE TO THE RELATIONSHIP WITH THE UNITED STATES, MANIFESTED OVER RECENT YEARS IN COOPERATION AND ASSISTANCE IN BOTH THE ECONOMIC AND THE MILITARY FIELDS.

8. GRANT MILITARY ASSISTANCE HAS BEEN A VERY IMPORTANT PART OF THE RELATIONSHIP AND, UNTIL VERY RECENTLY, WAS VIRTUALLY THE ONLY FOREIGN EXCHANGE SOURCE AVAILABLE FOR MODERNIZATION OF THE COUNTRY'S MILITARY FORCES. WHILE

THE INDONESIANS DO WHAT THEY DO IN THEIR OWN INTEREST,
IT IS CLEAR THAT OUR ACCESS TO THEM ON IMPORTANT ISSUES,
AND THEIR READINESS TO COOPERATE ON SIGNIFICANT WORLD
ISSUES, IS HELPED BY THEIR APPRECIATION FOR OUR ASSISTANCE.

9. THIS RELATIONSHIP HAS BEEN INSTRUMENTAL IN PERMITTING
US TO COMMUNICATE EFFECTIVELY WITH THE INDONESIAN GOVERN-
MENT ON MANY MATTERS, BILATERAL AND GLOBAL. INDONESIA
HAS PLAYED AN IMPORTANT ROLE IN THE WORLD DESPITE SOME
ECONOMIC AND POLITICAL COSTS INVOLVED. IT IS A PARTICI-
PATING NATION IN THE UNITED NATION'S EMERGENCY FORCE IN
THE MIDDLE EAST. IT IS ONE OF FOUR MEMBERS OF THE ICCS
IN VIETNAM. IT HAS TAKEN A LEAD IN INTERNATIONAL SUPPORT
FOR THE LON NOL GOVERNMENT IN CAMBODIA. ITS POSITION
ON CRITICAL MATTERS RELATION TO THE LAW OF THE SEA IS
CLOSE TO OURS AND HELPFUL TO US.

10. IT IS AGAINST THIS BACKGROUND THAT WE BELIEVE IT IS
IN THE US INTEREST TO CONTINUE GRANT MAP IN FY 1976 AS
PART OF AN ORDERLY PHASE-DOWN (WITH THE EXCEPTION OF
MILITARY EDUCATION AND TRAINING WHICH SHOULD CONTINUE AT
THE CURRENT LEVEL) IN CONSONANCE WITH THE SENCE OF THE
CONGRESS AS EXPRESSED IN THE FOREIGN ASSISTANCE ACT OF
1974. THE REQUEST FOR FY 76 GRANT ASSISTANCE AND THE
CORRESPONDING REQUEST FOR FMS CREDIT AUTHORITY (ASSUMING
ONE IS TO BE MADE FOR FY 76) REFLECT OUT INTENTION
TO MOVE AWAY FROM THE LARGELY GRANT ASSISTANCE WHICH HAS
CHARACTERIZED OUR PROGRAM TO DATE. WE BELIEVE THAT
THIS PROGRAM WILL PRESERVE THE ESSENTIALS OF THE US-
INDONESIAN RELATIONSHIP--ESSENTIALS WHICH MUST BE
MAINTAINED IF WE ARE TO HAVE A FULL MEASURE OF CONTINUED
COOPERATION WITH THIS SIGNIFICANT SOUTHEAST ASIAN COUNTRY.
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